

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street
Sacramento, California 95814

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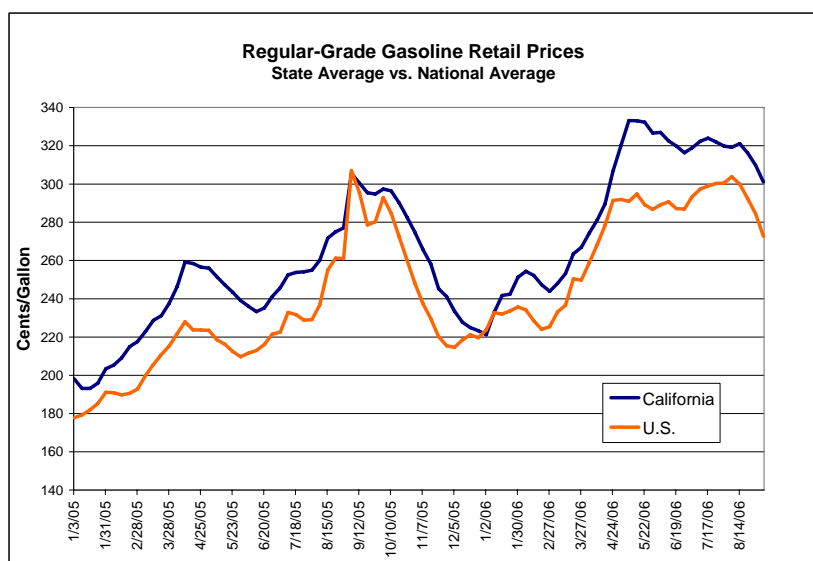
Main website: www.energy.ca.gov

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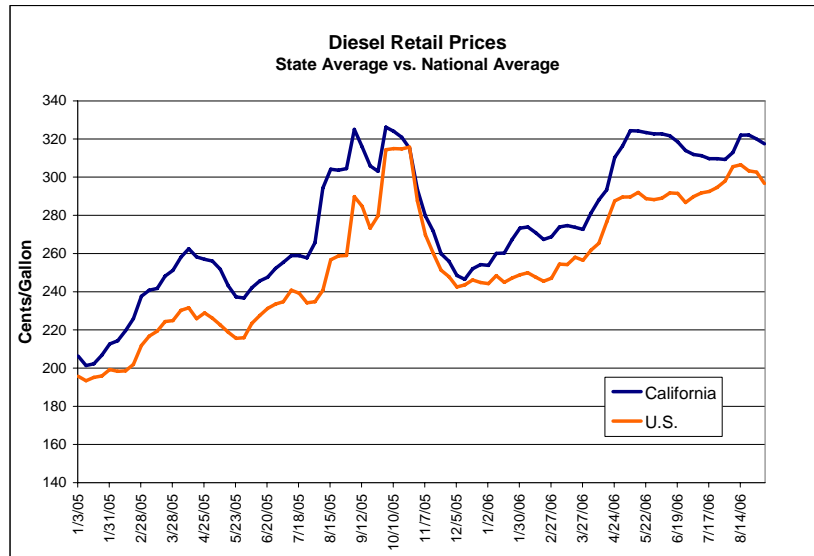
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****September 8, 2006*****Retail Gasoline and Diesel Prices on September 4***

- The average statewide **retail price for regular-grade gasoline** dropped 9 cents to \$3.01 per gallon, 32 cents less than the record high of \$3.33 on May 8.ⁱ
- The difference between California and U.S. retail gasoline prices increased to 28 cents per gallon since last week as U.S. prices fell 12 cents to \$2.73 per gallon.



- The average California **retail diesel price** fell by 3 cents from the previous week to \$3.18 per gallon. At the same time, the U.S. retail diesel price decreased to \$2.97 per gallon, increasing the difference between California and U.S. prices to 21 cents per gallon.



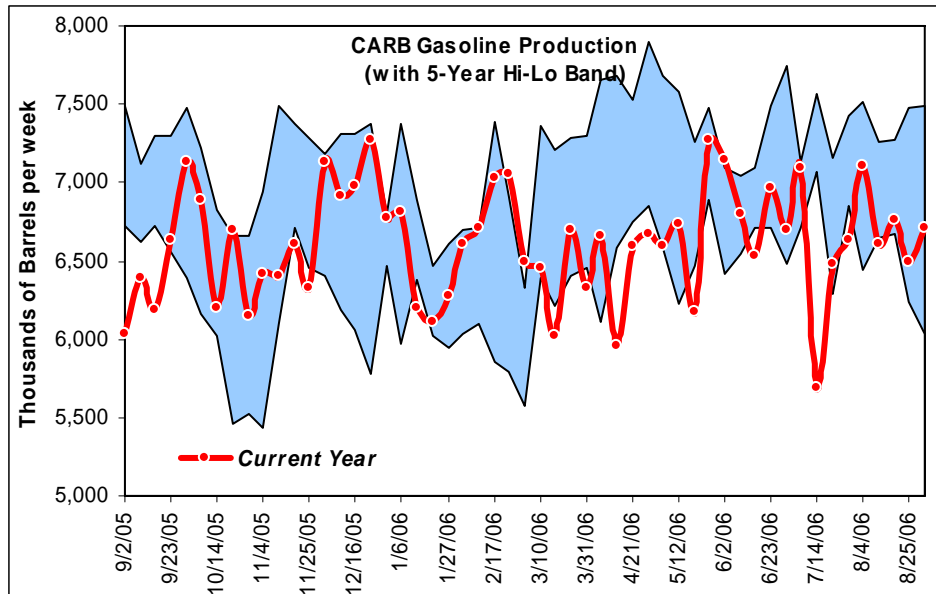
Wholesale Gasoline and Diesel Prices on September 6

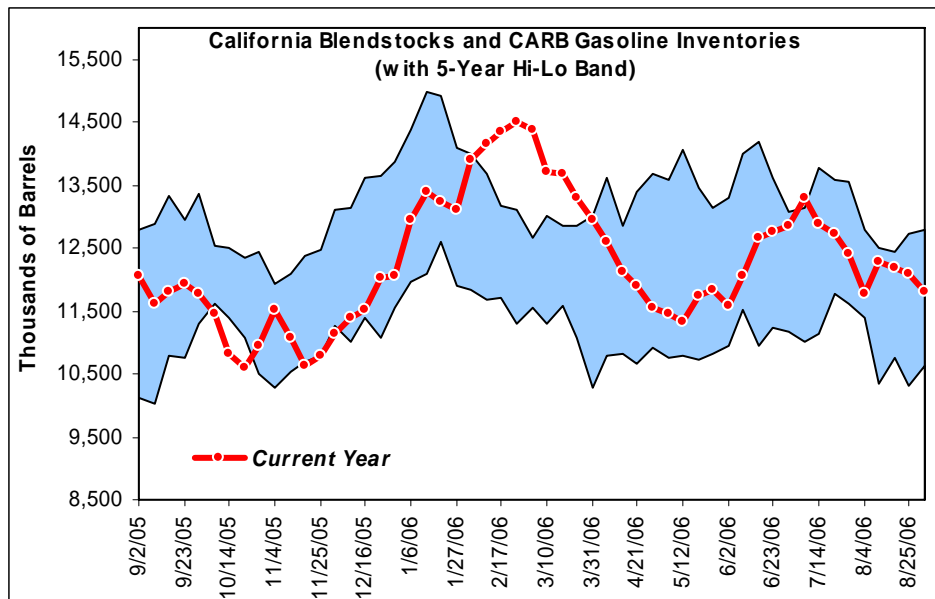
- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) decreased by 12 cents over the last week to \$1.90, the lowest price since March 10. Prices are now \$1.07 lower than the record high of \$2.97 on May 2, but still 34 cents more than the 2006 low of \$1.56 on February 14.
- Lower crude oil prices and higher gasoline production are causing gasoline prices to drop in California.
- Spot prices for RBOB in Los Angeles are 24 cents higher than New York Harbor and 29 cents higher than the Gulf Coast, as prices have dropped in these regions as well.
- California spot **wholesale low-sulfur diesel prices** ended at \$2.27 per gallon this week, 2 cents more than on August 29 but 41 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 33 cents more than at New York Harbor and 32 cents more than the Gulf Coast, compared to 16 cents and 18 cents more, respectively, on August 29 as distillate inventories in the eastern U.S. have grown steadily and reduced prices in recent weeks.
- California gasoline ended the reporting week 36 cents less than California diesel, compared to 22 cents less on August 29.
- The Energy Information Administration (EIA) weekly assessment for September 1 reports that **U.S. gasoline demand** grew only 0.1 percent from the previous week, while distillate demand fell 1.7 percent. The four-week average demand for gasoline

is 9.58 million barrels per day, 2.7 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.1 million barrels per day, 2.2 percent more than last year.

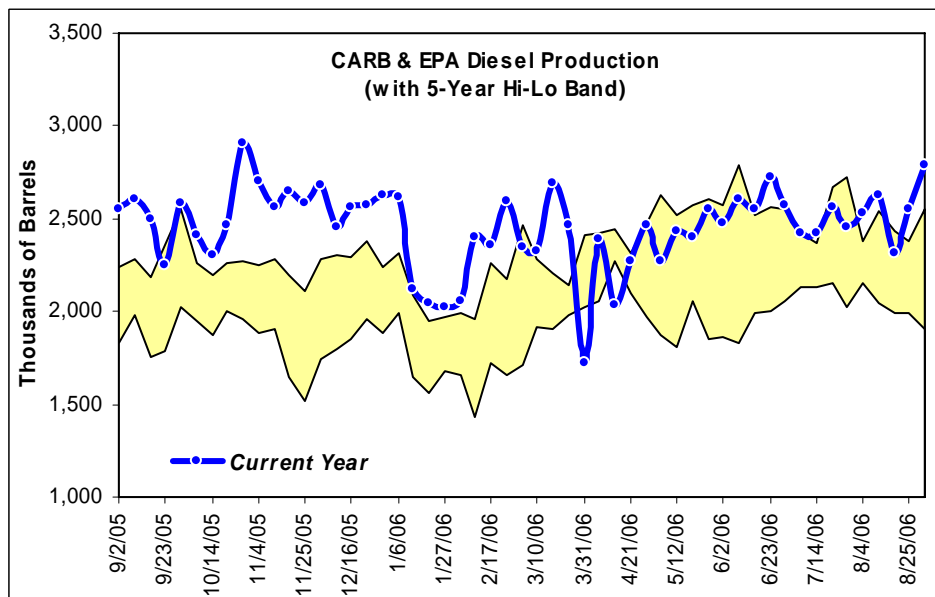
Refinery Production and Inventories

- **Reformulated gasoline production** in California for the week ending September 1 increased 3.2 percent from last week to 6.71 million barrels. Production levels moved toward the middle of the five-year range.ⁱⁱ
- California reformulated gasoline inventories decreased by 3.5 percent and gasoline blendstock inventories fell by 1.4 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **declined by 2.3 percent** to 11.82 million barrels and fell toward the middle of the five-year range.
- U.S. gasoline inventories increased by 718,000 barrels to 206.9 million barrels as of September 1. Stocks rose in the Midwest and West Coast regions but fell on the Gulf Coast.

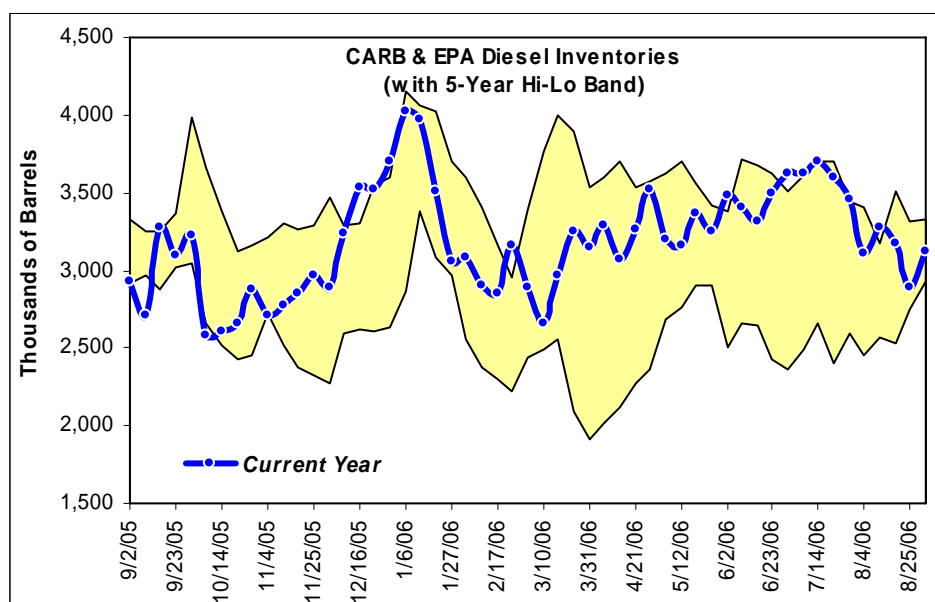




- California low-sulfur **diesel production** during the week ending September 1, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, increased 9.3 percent from the previous week to 2.79 million barrels. Output is also 9.3 percent higher than year-ago levels and remains well above the five-year range.

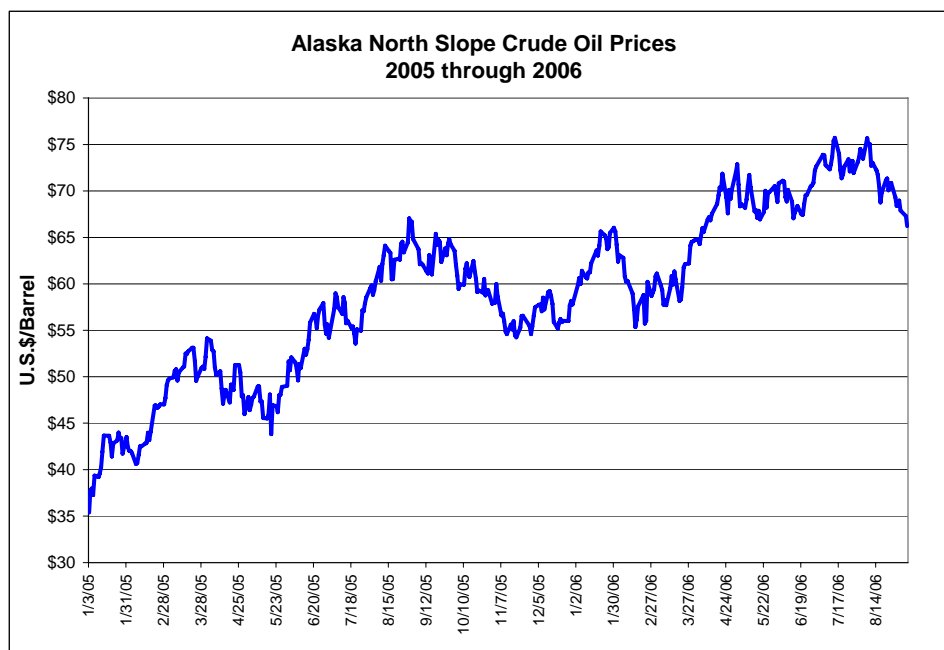


- Combined low-sulfur **diesel inventories** jumped 8 percent from the previous week to 3.13 million barrels, climbing toward the middle of the five-year range. Total U.S. distillate inventories as of September 1 increased to 139.9 million barrels, 3.1 million barrels more than the previous week. The Northeast and Midwest regions reported the largest increases while West Coast stocks were down slightly.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, continued to decline steadily this week. Uneasiness about the standoff between Iran and the U.N. Security Council over demands that Iran cease its uranium enrichment program and a strike threat by oil workers in Nigeria over security concerns were not enough to support oil prices. There seem to be no plans for immediately imposing sanctions on Iran for its refusal to comply with U.N. pressure, although this is still uncertain. Elsewhere, BP has added a further small increment of production at Prudhoe Bay, raising output back to about 205,000 barrels per day. BP has also announced that a potential bypass around corroded pipelines could return much of the shut down eastern line to operation sooner than initially expected.ⁱⁱⁱ Meanwhile, oil and natural gas production in the Gulf of Mexico has not been affected by any hurricanes or tropical storms so far this season, and none are projected in the area in the near future. ANS prices fell to \$66.20 per barrel as of September 6, the lowest level since April 7.^{iv}



- With higher crude oil runs at refineries and lower crude oil imports, U.S. commercial crude oil inventories as of September 1 fell 2.2 million barrels to 330.6 million barrels. Stocks are now 15.7 million barrels higher than last year and 34.2 million higher than the five-year average for the date. California crude oil stocks dropped 4.7 percent from the previous week to 14.63 million barrels.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ Further information on the BP Prudhoe Bay crude oil production curtailment can be found at: <http://www.energy.ca.gov/2006publications/CEC-999-2006-014/CEC-999-2006-014.PDF>.

^{iv} ANS crude oil prices are from *The Wall Street Journal*.